

# **State of Alaska FY2007 Governor's Operating Budget**

## **Department of Environmental Conservation Industry Preparedness and Pipeline Operations Component Budget Summary**

## Component: Industry Preparedness and Pipeline Operations

### Contribution to Department's Mission

Protect public safety, public health and the environment by ensuring that producers, transporters and distributors of crude oil and refined oil products prevent oil spills, and are fully prepared materially and financially to clean up spills, and by ensuring that operators of underground storage tanks prevent oil spills.

### Core Services

- Review and approval of oil discharge prevention and contingency plans required under state law.
- Conduct and participate in spill drills to verify that regulated operators are in compliance with state response planning requirements.
- Inspect regulated facilities and vessels for compliance with state spill prevention and Best Available Technology requirements.
- Review and approve applications for proof of financial responsibility to ensure that regulated operators have the financial resources to carry out oil spill response operations.
- Register oil spill primary response action contractors identified in oil discharge prevention and contingency plans.
- Regulate and provide technical assistance and training to underground storage tank operators and owners for proper tank operation and maintenance and basic spill prevention. This includes registering, tagging, and tracking regulated underground storage tanks and management of third-party tank inspection and worker certification efforts.

End Results	Strategies to Achieve Results
<p><b>A: Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.</b></p> <p><u>Target #1:</u> 100% of regulated facilities and vessel operators are without major violations of their contingency plans.</p> <p><u>Measure #1:</u> % of regulated facilities and vessels operators are without major violation of their contingency plans.</p>	<p><b>A1: Review oil discharge prevention and contingency plan requirements and update regulations as necessary.</b></p> <p><u>Target #1:</u> Oil discharge prevention and contingency plan regulations are reviewed and updated by FY2007.</p> <p><u>Measure #1:</u> % of review and update of oil discharge prevention and contingency plan regulations complete.</p> <p><b>A2: Review and approve contingency plans.</b></p> <p><u>Target #1:</u> Contingency plan applications are reviewed within the regulatory timeframes.</p> <p><u>Measure #1:</u> % contingency plan applications reviewed within the regulatory timeframes.</p> <p><b>A3: Conduct exercises and inspections of regulated facilities and vessel operators.</b></p> <p><u>Target #1:</u> Annually 100% of contingency plan holders identified as high risk, are inspected or participate in an oil discharge exercise.</p> <p><u>Measure #1:</u> % of annual targeted inspections and exercises completed.</p>

### Major Activities to Advance Strategies

- Review oil discharge prevention and contingency plan requirements and update regulations.
- Review regulated facility and vessel applications for compliance with oil discharge prevention and contingency plan requirements.
- Inspect and conduct spill response exercises at facilities and vessels identified as high risk.

### FY2007 Resources Allocated to Achieve Results

**FY2007 Component Budget: \$3,673,000**

**Personnel:**

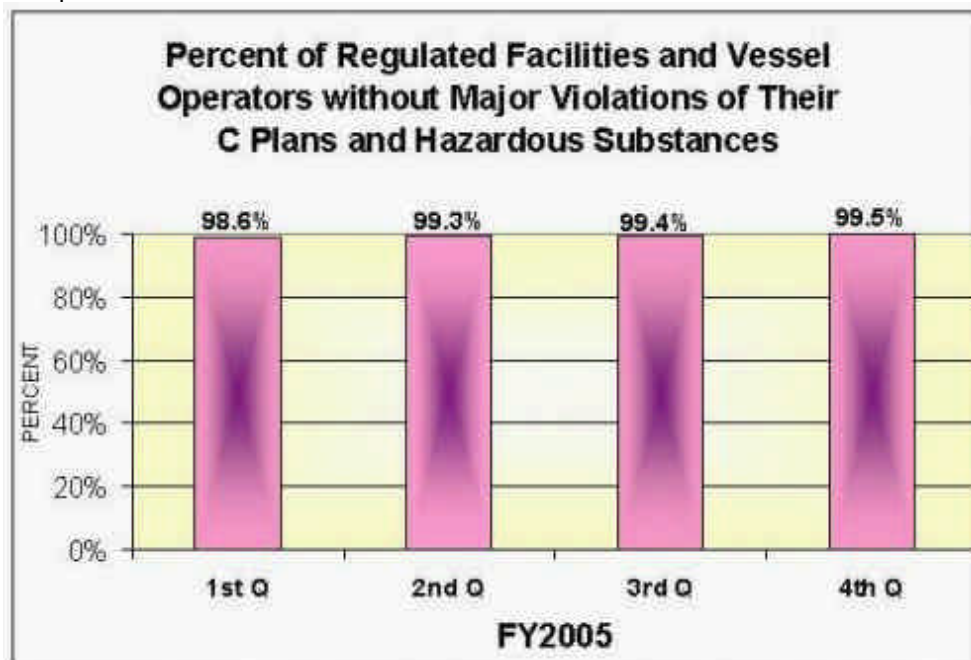
Full time	36
Part time	1
<b>Total</b>	<b>37</b>

### Performance Measure Detail

**A: Result - Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.**

**Target #1:** 100% of regulated facilities and vessel operators are without major violations of their contingency plans.

**Measure #1:** % of regulated facilities and vessels operators are without major violation of their contingency plans.



**Analysis of results and challenges:** In Alaska, several types of regulated facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, and tankers, non-crude oil tank vessels and barges, and non-tank vessels. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed. Examples of major violations would include such things as insufficient or unusable response equipment, lack of required contracts with response action contractors, or significant changes to a facility's oil storage capacity without a corresponding amendment of the C-plan.

This data indicates that nearly all facilities and vessels operators that are required to have C-plans strive to keep them updated and will be prepared to appropriately respond in the event of an unexpected spill.

### A1: Strategy - Review oil discharge prevention and contingency plan requirements and update regulations as necessary.

**Target #1:** Oil discharge prevention and contingency plan regulations are reviewed and updated by FY2007.

**Measure #1:** % of review and update of oil discharge prevention and contingency plan regulations complete.



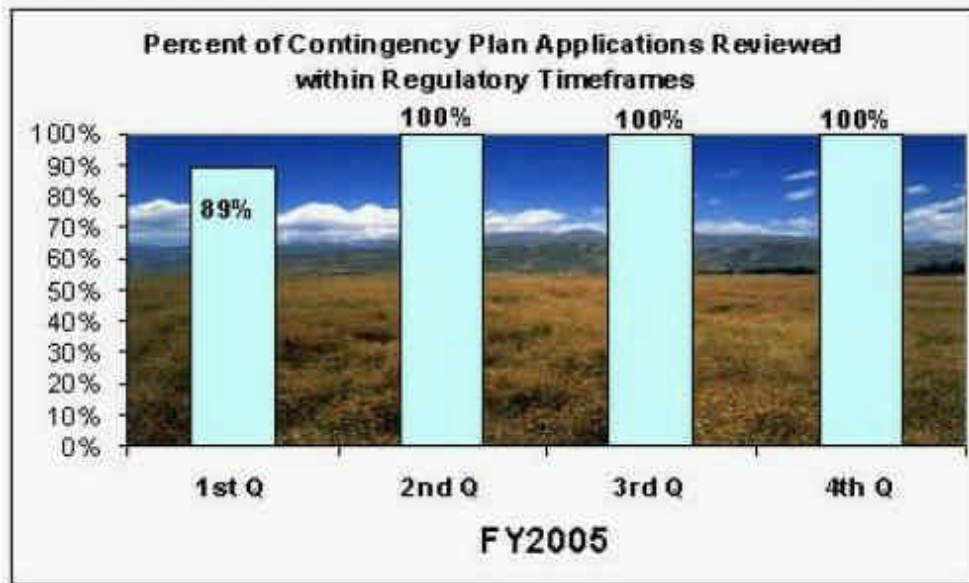
**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

As part of the Department's 4-year plan, regulations governing C-plan preparation are being reviewed for clarity and effectiveness toward meeting the objectives they are meant to accomplish. The overall goal is to have the regulations reviewed and updated by the end of FY2007. Phase 1 of this project is completed and Phase 2 has begun and, although a bit behind expected performance, no impediments to meeting the overall goal are anticipated.

### A2: Strategy - Review and approve contingency plans.

**Target #1:** Contingency plan applications are reviewed within the regulatory timeframes.

**Measure #1:** % contingency plan applications reviewed within the regulatory timeframes.



**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

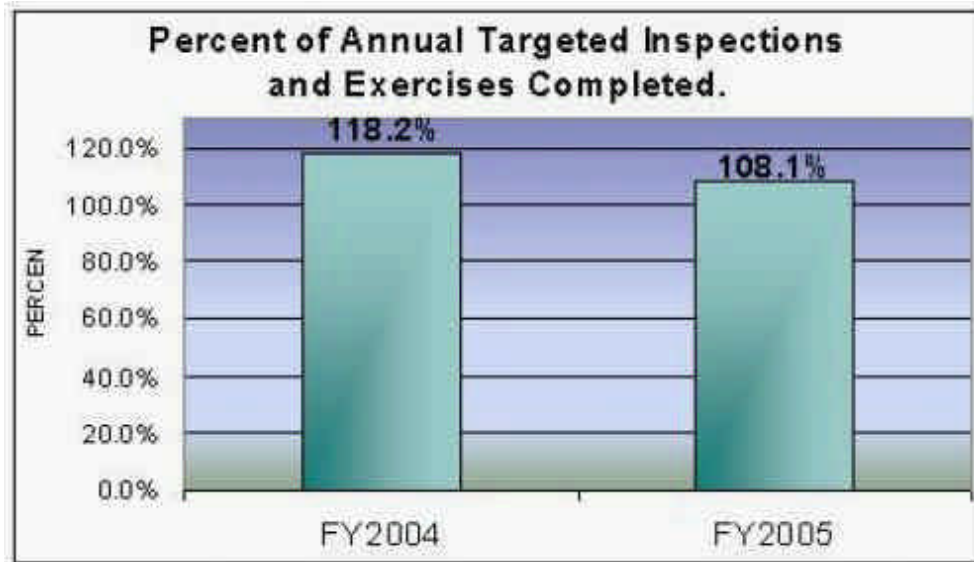
Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, and tankers, non-crude oil tank vessels and barges, and non-tank vessels. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed.

Since these facilities and vessels operators cannot legally operate without approved C-plans, it is imperative that Department staff review and approve the plans within the time frames required by regulation. Thus far, this goal has been met and future challenges to attaining the goal are not anticipated. The statistical anomaly of 89% in the first quarter of FY2005 is due to the fact that several C-plans were still under review, although still within the regulatory timeframe.

### **A3: Strategy - Conduct exercises and inspections of regulated facilities and vessel operators.**

**Target #1:** Annually 100% of contingency plan holders identified as high risk, are inspected or participate in an oil discharge exercise.

**Measure #1:** % of annual targeted inspections and exercises completed.



**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, oil tankers, non-crude oil tank vessels and barges, and non-tank vessels over 400 gross tons. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed.

Facilities and vessels in the state that handle crude oil are considered a higher risk because of the larger volumes of oil involved and the increased environmental consequences of a crude oil spill compared to refined oil product spill of a similar magnitude. As an added precaution, it is important to inspect high risk facilities to ensure compliance with their C-plan, or to test C-plan effectiveness by conducting exercises. In an exercise, a mock spill is conducted, and the C-plan response procedures are applied as though it were a real life situation, in order to test and ensure their effectiveness.

The cumulative totals for FY2005 exceed 100% due to the fact that some facilities were inspected or had their C-plan exercised more than once during the year.

## Key Component Challenges

Complete Phase 2 of the contingency plan regulations review project to update the spill prevention regulations in Article 1 of 18AAC Chapter 75.

Complete Phase 3 of the contingency plan regulations review projects to re-evaluate the adequacy of existing regulations; specifically update the contingency plan review process to make it simpler and more effective based on lessons learned since the 1992 regulations implementation.

Maintain catalog of Best Available Technology through an evergreen process involving, but not limited to, literature and web site review, attendance at selected technical schools, seminars, conferences, and contingency plan reviews.

Coordinate federal (U.S. Coast Guard) nontank vessel response plan rulemaking process with the existing State of Alaska process.

## Significant Changes in Results to be Delivered in FY2007

None.

## Major Component Accomplishments in 2005

Reviewed and approved 5 new oil exploration facility oil spill discharge prevention and contingency plans, 12 oil terminal contingency plan renewals, 2 major amendments to the Trans-Alaska Pipeline System contingency plans, 3 non-crude oil tanker contingency plans (1 new and 2 renewals). Reviewed and approved 159 nontank vessel contingency plans. Conducted 110 inspections of oil terminals/tank farms, oil exploration and production facilities, crude oil transmission pipelines, tankers, nontank vessels over 400 gross tons, and tank barges.

Evaluated 75 oil spill exercises conducted throughout the state involving oil terminals and tank farms, crude oil transmission pipelines such as TAPS, crude and non-crude tankers, tank barges, nontank vessels, and the Alaska Railroad.

Successfully integrated the Underground Storage Tank (UST) spill prevention program into Industry Preparedness. Reduced the number of USTs without registration tags from 146 to 80, conducted compliance follow-up actions on 66 UST facilities, and placed 54 USTs on leak detection probation as a result of third-party inspections.

Completed public review of Phase 2 of the Contingency Plan regulations review project to update and clarify spill prevention regulations for all regulated facilities and vessels; drafted a detailed discussion draft that included the specific changes to the Article 1 spill prevention regulations and the reasoned basis for the suggested changes.

Completed settlement of the significant Coastal Transportation civil enforcement case involving the failure to have an approved tanker contingency plan and tanker financial responsibility certificate from 1984 to 2004; Coastal Transportation paid a \$412,101 civil penalty.

Conducted oversight of corrosion monitoring programs for North Slope oil fields and identified specific oil spill prevention and response research projects under the state's charter agreement with North Slope operators.

Strengthened the state's oil spill damage recovery ability by developing direct action clauses in pollution insurance policies for tank vessels that will allow the state to recover damages directly from insurance companies in the event that the vessel operator is bankrupt or no longer exists.

Issued 430 nontank vessel financial responsibility certificates and 252 financial responsibility certificates for tank vessels, tank barges, oil exploration and production facilities, oil terminals, and crude oil transmission pipelines.

Undertook regulatory action, as necessary, and utilized non-regulatory avenues to gain industry compliance with state requirements for leak detection, spill response equipment, spill response exercises, tank inspections, and corrosion inspection and mitigation.

Completed professional certification for four staff as American Petroleum Institute (API) 653 storage tank inspectors and National Association Corrosion Engineers (NACE) corrosion technicians.

## Statutory and Regulatory Authority

AS 46.03, AS 46.04, AS 46.08, AS 46.09, 18 AAC 75.

### Contact Information

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### Industry Preparedness and Pipeline Operations Component Financial Summary

*All dollars shown in thousands*

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,268.8	2,907.6	2,928.2
72000 Travel	163.0	221.4	221.4
73000 Services	516.5	731.7	471.7
74000 Commodities	29.6	35.7	35.7
75000 Capital Outlay	0.2	16.0	16.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>2,978.1</b>	<b>3,912.4</b>	<b>3,673.0</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	107.6	111.4	117.8
1004 General Fund Receipts	0.0	0.0	725.0
1007 Inter-Agency Receipts	145.8	476.2	344.1
1052 Oil/Hazardous Response Fund	2,724.7	3,324.8	2,486.1
<b>Funding Totals</b>	<b>2,978.1</b>	<b>3,912.4</b>	<b>3,673.0</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Unrestricted Revenues</b>				
Unrestricted Fund	68515	32.0	30.6	30.6
<b>Unrestricted Total</b>		<b>32.0</b>	<b>30.6</b>	<b>30.6</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	107.6	111.4	117.8
Interagency Receipts	51015	145.8	476.2	344.1
<b>Restricted Total</b>		<b>253.4</b>	<b>587.6</b>	<b>461.9</b>
<b>Total Estimated Revenues</b>		<b>285.4</b>	<b>618.2</b>	<b>492.5</b>



**Summary of Component Budget Changes  
From FY2006 Management Plan to FY2007 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>0.0</b>	<b>111.4</b>	<b>3,801.0</b>	<b>3,912.4</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	2.0	48.7	50.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.3	6.2	6.5
-FY 07 Retirement Systems Cost Increase	0.0	3.9	98.2	102.1
-Mitigate Declining Response Fund Revenues	725.0	0.0	-725.0	0.0
<b>Proposed budget decreases:</b>				
-Reduce Excess Response Funds	0.0	0.0	-260.0	-260.0
-Reduce Excess Interagency Receipts	0.0	0.0	-145.0	-145.0
<b>Proposed budget increases:</b>				
-Risk Management Self-Insurance Funding Increase	0.0	0.2	6.1	6.3
<b>FY2007 Governor</b>	<b>725.0</b>	<b>117.8</b>	<b>2,830.2</b>	<b>3,673.0</b>

### Industry Preparedness and Pipeline Operations Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	36	36	Annual Salaries	1,988,330
Part-time	1	1	COLA	50,450
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,075,111
			Less 5.96% Vacancy Factor	(185,691)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>37</b>	<b>37</b>	<b>Total Personal Services</b>	<b>2,928,200</b>

### Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	2	0	0	1	3
Administrative Clerk III	1	0	0	0	1
Environ Engineer II	1	0	0	0	1
Environ Program Manager I	2	1	0	0	3
Environ Program Manager III	1	0	0	0	1
Environ Program Spec II	3	0	1	0	4
Environ Program Spec III	11	2	2	3	18
Environ Program Spec IV	3	0	1	2	6
<b>Totals</b>	<b>24</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>37</b>